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# CANADIAN PETROFINA LIMITED

Annual Report 1966

# Annual Report 1966

# CANADIAN PETROFINA LIMITED

*The cover picture is a night view of Montreal taken from the site of Expo 67*

## BOARD OF DIRECTORS

D. W. Ambridge, C.B.E.
W. A. Arbuckle
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A. F. Campo
F. M. Covert, O.B.E., D.F.C., Q.C.
Charles de Bar
W. L. Forster, C.B.E.
Donald S. Harvie
Emmanuel Lamy
Roger Létourneau, Q.C.
Trajan Nitescu
Blancke Noyes
Jean Raymond, Q.C.
Sam Steinberg
Peter N. Thomson
J. R. Timmins, O.B.E.
Laurent Wolters

## PRINCIPAL OFFICERS

A. F. Campo, *President*
J. Cartier, *Vice-President (Marketing)*
H. J. Hughes, *Vice-President and Comptroller*
R. V. Misitano, *Vice-President (Supply and Refinery Sales)*
K. S. C. Mulhall, *Vice-President and Treasurer*
Trajan Nitescu, *Vice-President (Exploration and Production)*
J. R. Patton, *Vice-President (Manufacturing)*
A. W. McLeod, *General Counsel and Secretary*

## EXECUTIVE OFFICES

The Royal Bank of Canada Building,
1 Place Ville Marie,
Montreal 2, Quebec, Canada

## AUDITORS

Clarkson, Gordon & Co.

## TRANSFER AGENT

Montreal Trust Company

## REGISTRAR

The Royal Trust Company

*Ce Rapport a été publié en français et en anglais.*
*Si vous préférez un exemplaire français,*
*veuillez en faire la demande au:*
*Secrétaire, Canadian Petrofina Limited*
*1 Place Ville Marie*
*Montréal 2, Québec, Canada.*

## TO THE SHAREHOLDERS

During 1966, the Company suffered a grievous loss through the death of W. H. Howard, C.B.E., Q.C. who had been Chairman of the Board of Directors since the Company's inception in 1953. His wisdom and judgment were of great assistance in the early formative period of the Company as well as in recent years when the growing complexities of the business created new problems. It is with regret that we record his passing.

Since this is a consolidated report on your Company and its subsidiaries, actions or activities of one or more of those subsidiaries are usually referred to simply as actions or activities of the Company, which, in effect, they are.

Economic conditions in Canada during 1966 were generally good. Gross National Product increased to 57.5 billion dollars which represented a gain of 10.5% over 1965 in actual dollars or 6.5% in constant dollars. Price increases accounted for 4% of the growth.

The rate of advance was not consistent in all sections of the economy and this became particularly evident as the year progressed. Impressive gains were made in agriculture and exports, while sales of durable goods and new housing starts suffered pronounced declines.

The high level of economic activity created a number of significant problems. The demand for money was so great that funds became unavailable to some borrowers even at interest rates which reached an historical high level in mid 1966. These factors coupled with excessive wage demands and increasing prices for goods and services created some apprehension in financial circles. It was not until the year end that some indications of the easing of these pressures appeared.

The Canadian petroleum industry shared in the buoyant domestic conditions and achieved remarkable growth in 1966. Production of crude oil and natural gas liquids increased by 10% over the previous year and passed the million barrel per day figure for the first time in the history of the country. Crude oil exports to the United States were greater by 17% and deliveries to domestic refiners, west of the Province of Quebec, rose by 6% over the previous year.

Consumption of petroleum products throughout Canada reached about 1,200,000 barrels per day. In the Province of Quebec and the Maritime Provinces consumption increased at a faster rate than in other parts of the country.

Natural gas production gained 9% over 1965. Approximately 58% of it was consumed in Canada while the balance was exported to the United States.

The outlook for the economy in 1967 contains a number of doubtful elements. The forecast for the growth in Gross National Product, in real terms, is 3.5%. The two principal factors in the forecast of slower rate of growth relate to the course of the United States economy and the trend of corporate profits both in Canada and the U.S.A. Lower profits would lead to sharp reductions in capital spending which, in itself, has been the major impetus in the past three years of exceptional economic growth.

From the Company's standpoint the year 1966 was another successful one. Net earnings reached a new high of $9,292,000, an increase of 8.7% over 1965. The cash generated from operations also reached a new peak of $18,920,000. In spite of the trend to very high interest rates your Company was able to negotiate new long-term debt at a relatively reasonable rate of interest. Particulars of this and other details of the Company's operations appear elsewhere in this report.

During the year Mr. Peter N. Thomson of Montreal was elected to the Board of Directors. Mr. Thomson is well known in financial and industrial circles and his presence on the Board is welcomed.

It is always a source of pride and pleasure to recognize that the success of the Company relates directly to the loyal, efficient and aggressive efforts of the employees. The continued profitable growth of the organization depends mainly on the staff and to them your directors convey their appreciation.

## EXPLORATION AND PRODUCTION

Operations in western Canada through the wholly owned subsidiary Canadian Fina Oil Limited exceeded expectations. Crude oil, condensate and sulphur production each increased over 10%, while natural gas production showed a gain of approximately 2%. These improvements resulted in increased revenues, but the need to make room in the available markets for large new production from the Rainbow Lake area in Northern Alberta, may inhibit the growth of production from existing oilfields in 1967.

Crude oil and natural gas liquids production exceeded 5,000,000 barrels for the first time in the Company's history. Gas sales amounted to 22 billion cubic feet and sulphur production amounted to 75,000 long tons. The prices obtained were stable except in the case of sulphur where it was possible to negotiate sales in offshore markets for a portion of the production at prices substantially higher than the local going rates.

The Company augmented its widespread acreage holdings by 400,000 net acres and at the end of the year 6.2 million gross acres were held, representing 2.9 million net acres. These lands are being actively explored by our direct efforts or through farmouts.

The Company increased its seismic activity during the past year concentrating on recently acquired permit rights in Saskatchewan totalling 700,000 acres and on jointly owned leases and reservations in Northern Alberta in the general region of the prolific Rainbow Lake oil fields.

The 1966 drilling programme involved participation in 119 wells, which was 30 more than in 1965. These operations resulted in 64 oil wells, 10 gas wells and 45 abandonments. The development portion of this programme met with good success and accounted, in a large part, for the Company's increased production. Of special importance was the completion of 19 oil wells at Nipisi, Alberta on leases in which a one-third interest is held. In addition, eight new oil wells in south-east Saskatchewan made a further contribution to the Company's reserves.

Gas production continued at a satisfactory rate at Whitecourt, Alberta, where a one-sixth interest is held in a very large wet gas and sulphur operation. Several development wells were drilled in the area and construction is well under way towards connecting, in mid 1967, an adjacent sour gas reservoir, known as Pine Northwest, to the existing complex. The connection involves a costly bridge installation in this remote area across the Athabaska River. The expansion of several other gas plants in East Calgary, Carstairs, Nevis and Edson, where interests are held, has been completed, authorized for construction, or is under way.

In the foothills, west of Calgary, the Company holds a 40% interest in a large spread of acreage on which one successful deep Mississippian gas well has already been drilled. During the past year a three mile step-out was commenced and was drilling below 10,000 feet at the year end, after experiencing costly drilling difficulties.

Some years ago the Company had previously drilled out a good gas reservoir at Newbrook, 70 miles north-east of Edmonton. A sales contract was recently signed with Trans-Canada Pipelines. However, connection of this field to the pipeline system must now await difficult and lengthy hearings covering permission to export the gas.

The Rainbow Lake area of Alberta has attracted substantial attention on the part of the oil companies, as well as the public in general, and several important crude oil discoveries have been made in the region. The Company holds two large land blocks in the Rainbow area which should protect our existing position. One block consists of 101,000 reservation acres in which we have a 50% interest and lies 14 miles south-west of the nearest Rainbow pools. On this acreage, known as Sabbath Creek, we are currently undertaking seismic work and in late December 1966 started to drill our first well. The second block of 33,600 lease acres, in which we have a one-third interest, lies immediately east of the Zama Lake discoveries. Seismic work on this land is under way, although at this date drilling has not been started. Acreage off-setting our property has recently been purchased by competitors for $2,500 per acre.

A substantial amount of time, money and effort will be directed to these two blocks during 1967 and 1968. Because of the erratic pattern in the distribution of the reef reservoirs in these areas no forecast can be made at this time as to our probable success in discovering new substantial reserves on our two blocks, but this programme is being conducted with energy and optimism.

The experimental project mentioned last year, in respect to the Athabasca Oil Sands, was begun on schedule and will continue over the next two to three years.

## SUPPLY AND REFINERY SALES

During the second half of 1966, the former Supply and Distribution Department was re-organized into a "Supply and Refinery Sales Department" and it is now also responsible for the sale of chemical products and petrochemical feedstocks.

During the year, 13,359,661 barrels of crude oil were delivered to the refinery at Pointe-aux-Trembles for processing. This amount represented an increase of 8.8% over 1965. In the latter part of 1966, our crude oil storage was increased to a total capacity of more than one million barrels allowing us to use larger tankers which will result in a substantial reduction in our crude oil transportation costs.

The total volume of products distributed in 1966 was in excess of 460,000,000 gallons. The efficient scheduling of deliveries to secure maximum economies constitutes a complex procedure which requires constant study and control. As a result, this year our overall distribution expense was lower than the preceding year and continuous evaluations are being made to insure that the most economical combination of tanker, pipeline, rail and truck facilities is used.

Both the Polyisobutylene and Vanadium Oxide plants reached full capacity in 1966 and our products found excellent acceptance in export markets in the United States, the United Kingdom and Western Europe. It is expected that during 1967 our products will reach other markets, such as South Africa, Australia and New Zealand.

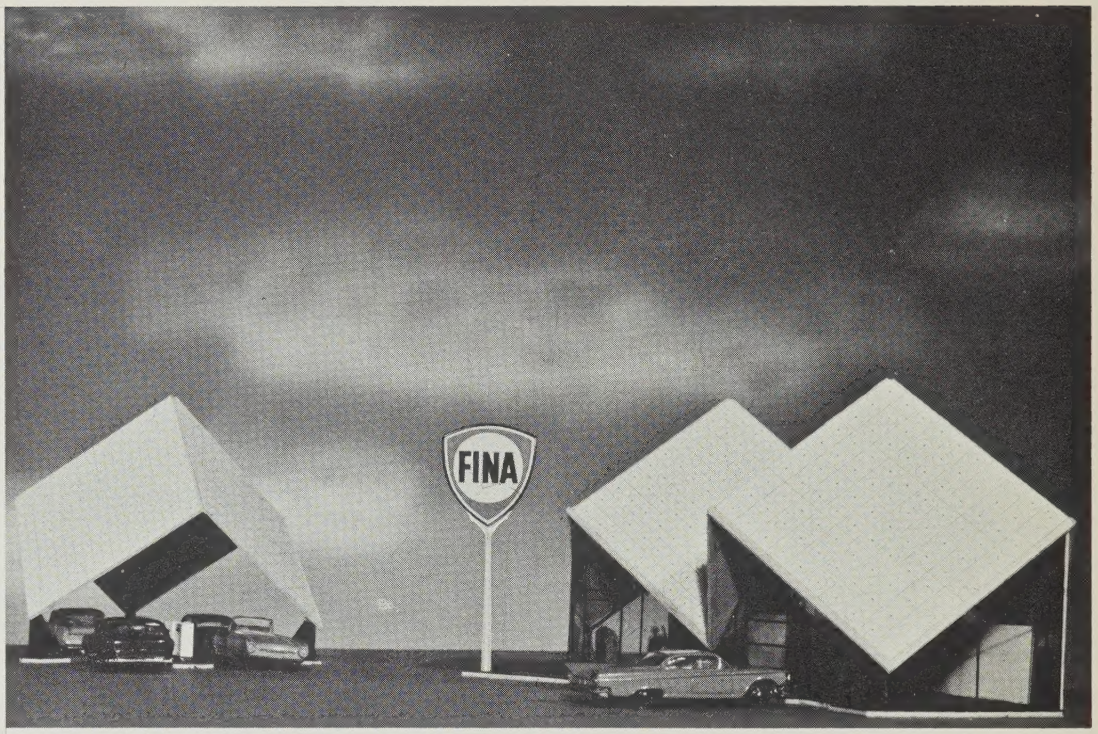
Polyisobutylene is used extensively as a lubricating oil additive as well as in the adhesive industry.

## MANUFACTURING

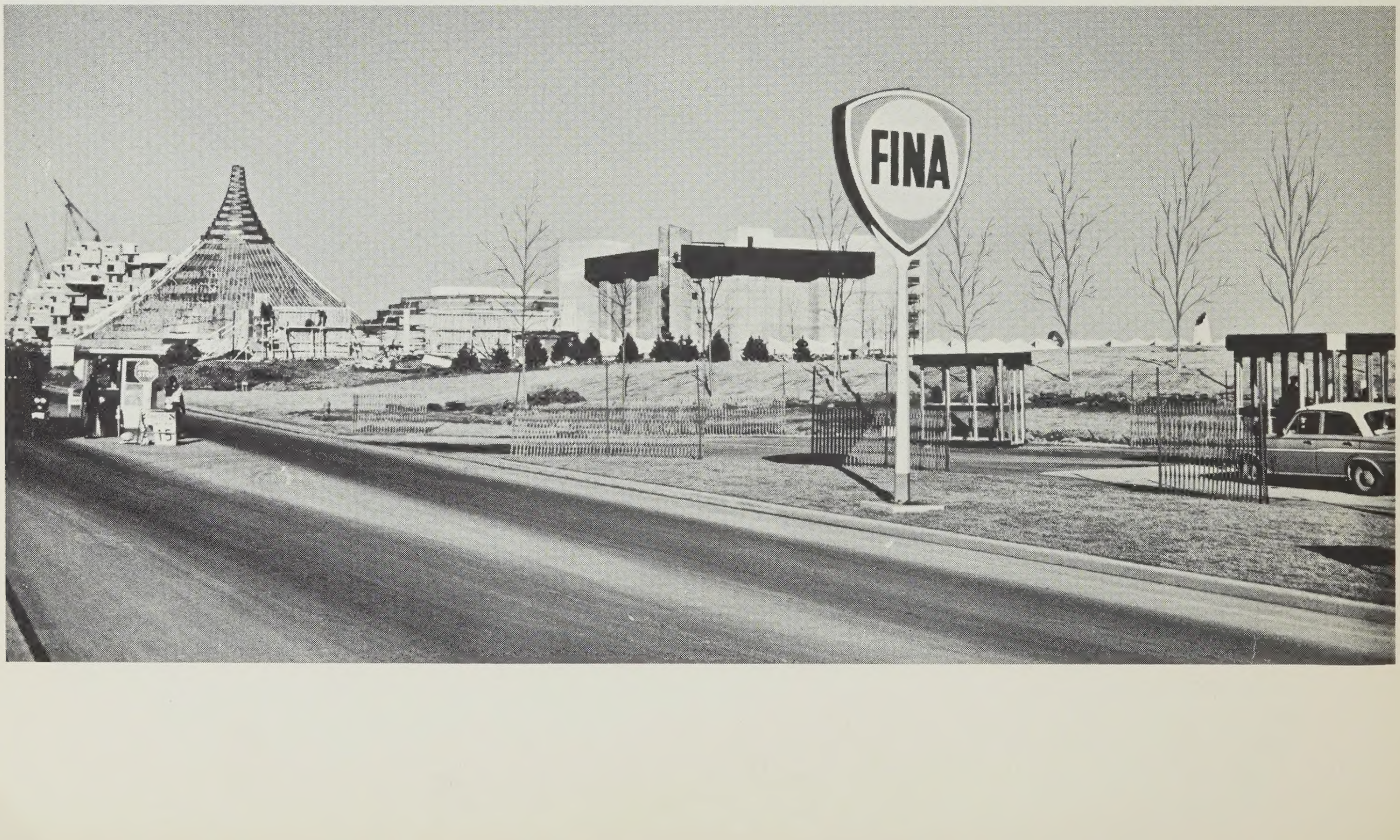
During 1966, a total of 13,290,000 barrels of crude oil were processed through the refinery at Pointe-aux-Trembles. This represents an increase of 9.2% over the previous year. The increase occurred during the last half of the year after the start of the additional facilities constructed for the Crude Oil, Vacuum and Unifiner units at the refinery. The Company now has the largest crude oil storage tank in Canada with a capacity of 325,000 barrels. Construction of this tank was made necessary by the increased refining capacity and the necessity to accept crude oil at expanded delivery rates.

*Aerial view of the parking lot at the Montreal end of Victoria Bridge, one of two giant parking lots where only Fina is authorized to sell its products and services. This lot has a capacity of 16,000 cars. The South Shore parking lot holds 12,000 vehicles.*

*Scale model of one of two Fina service stations erected on Expo 67 parking lots. This design provides for steeply inclined roofs made of self-supporting translucent fibreglass. Illuminated from below, the roof modules are visible from great distances. The same roof treatment is used for gas bars also erected on parking lots.*




*Located near the main entrance to Expo, this Fina sign identifies gasoline outlets now on the site. From left to right are Habitat 67, the tent-shaped theme buildings, Man in the Community and Man and Health. The structure in the foreground is the National Film Board's Labyrinth.*



The asphalt facilities were also extended to provide for the manufacture of a wider range of industrial asphalts. Other modifications carried out during the year included those to the Houdry Catalytic Cracking Unit and the Vapour Recovery Unit.

A substantial increase in the manufacture and sale of specialty products occurred, compared with the previous year. Shipments of Polyisobutylene increased by 67%, Vanadium Pentoxide by 300%, Solvents by 16% and Asphalts by 14%.

Refinery profits however were adversely affected by unexpected operational problems. These were resolved by the end of the year.

## MARKETING

Before dealing with the operations of the Marketing Department during 1966 a brief report appears appropriate regarding your Company's participation in the Canadian Corporation for the 1967 World Exhibition, better known as "Expo 67", which will be open to the public from April 28, 1967 to October 27, 1967. It is estimated that 30,000,000 people will visit this Fair.

Your Company was successful in obtaining the sole right to distribute motor fuels and lubricants on the Expo site. In addition, two large service stations have been erected on the two major parking lots, which in total will provide parking space for approximately 28,000 vehicles. Photographs of this project appear elsewhere in the report.

During 1966 the Company again increased its sales of motor fuels, middle distillates, lubricants, solvents and asphalts. At the retail level, considerable success was achieved during the year in the Company's efforts to improve the financial position of the local dealer by providing him with Fina branded tires, batteries and accessories, at prices which enabled him to augment his income. The high quality of these items was one of the principal factors in developing favourable acceptance by the public and the resultant increased sales.

One of the innovations of particular interest in 1966 was the construction of two large Diagnostic Centres in the Montreal area. These centres have twelve service bays and are the most modern in Canada.

## FINANCIAL REVIEW

The Company enjoyed another successful financial year showing increases in profits and cash generation.

Consolidated profits, after all charges, amounted to $9,292,000 in 1966 which was equal to 93.9¢ per share. This compares with $8,549,000 and 86.4¢ per share in the previous year.

Cash generated from operations also reached a new high of $18,920,000 or $1.91 per share. In 1965 the figures were $17,550,000 and $1.77 per share respectively.

The following comparative table indicates the sources from which cash was derived and particulars of the disbursements.

| | 1966 | 1965 |
|---|---|---|
| *Sources of funds* | | |
| Net profit | $ 9,292,000 | $ 8,549,000 |
| Net income applicable to minority interests | 23,000 | 23,000 |
| Depreciation, depletion and amortization, etc. | 9,605,000 | 8,978,000 |
| Total cash generated from operations | $18,920,000 | $17,550,000 |
| Net increase in long-term debt | 5,460,000 | 3,039,000 |
| Repayment of mortgages and other advances etc. | (212,000) | 1,270,000 |
| Sale of fixed assets | 495,000 | 1,201,000 |
| Sale of shares | — | 633,000 |
| Total funds available | $24,663,000 | $23,693,000 |
| *Application of funds* | | |
| Investment in fixed assets (exploration production, refining and marketing) | $15,377,000 | $15,723,000 |
| Dividends paid to shareholders | 5,939,000 | 5,921,000 |
| Payments to minority interests | 23,000 | 23,000 |
| Net increase in working capital | 3,324,000 | 2,026,000 |
| | $24,663,000 | $23,693,000 |

During 1966 the shareholders were paid dividends of 60¢ per share or $5,939,000.

It was considered advisable during the past year to secure additional funds by way of an increase in the Long-Term Debt of our wholly owned subsidiary Canadian Fina Oil Limited. A loan of $12,000,000 U.S. funds was arranged with private American lenders at an interest rate of 6⅛% per annum. The debt matures over a period of 15 years. A portion of the funds was drawn down in 1966 and the balance in 1967.

Submitted on behalf of the Board,

A. Campo *President*

March 10, 1967

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS

for the year ended December 31, 1966
(with comparative figures for the year ended December 31, 1965)

| | 1966 | 1965 |
|---|---|---|
| Gross income: | | |
| Operating income | $142,584,180 | $140,636,072 |
| Interest and other income | 1,243,836 | 2,708,460 |
| | 143,828,016 | 143,344,532 |
| Operating charges: | | |
| Costs, operating, selling and general | 120,397,349 | 121,999,968 |
| Taxes other than income taxes | 2,557,495 | 2,058,631 |
| Depreciation, depletion and amortization (note 1) | 9,442,527 | 8,869,772 |
| | 132,397,371 | 132,928,371 |
| | 11,430,645 | 10,416,161 |
| Interest and discount on long-term debt | 2,115,904 | 1,844,197 |
| Profit before minority interests | 9,314,741 | 8,571,964 |
| Net income applicable to minority interests | 22,500 | 22,500 |
| Net profit for the year | 9,292,241 | 8,549,464 |
| Earned surplus at beginning of year | 16,539,770 | 13,911,218 |
| | 25,832,011 | 22,460,682 |
| Dividends | 5,939,054 | 5,920,912 |
| Earned surplus at end of year | $ 19,892,957 | $ 16,539,770 |

Canadian Petrofina Limited and Subsidiaries
(Incorporated under the laws of Canada)

# CONSOLIDATED BALANCE SHEET, DECEMBER 31,

(with comparative figures at December 31, 1965)

## ASSETS

| | 1966 | 1965 |
|---|---|---|
| **CURRENT:** | | |
| Cash | $ 2,600,881 | $ 4,445,683 |
| Marketable securities — at cost which approximates market | 16,848 | 28,364 |
| Accounts receivable, less allowance for doubtful accounts | 36,230,823 | 34,644,066 |
| Due from affiliated companies | — | 43,903 |
| Inventories (note 1) | | |
| Oil products and other merchandise | 23,348,808 | 19,605,501 |
| Materials and supplies | 1,661,552 | 1,602,706 |
| Prepaid expenses | 983,353 | 1,079,091 |
| Total current assets | 64,842,265 | 61,449,314 |
| **INVESTMENTS AND ADVANCES** — at cost: | | |
| Investment in affiliated company | 1,933,794 | 1,969,250 |
| Investments in other companies | 2,694,228 | 2,664,382 |
| Exploration, development and production deposits | 665,163 | 214,757 |
| Mortgages and other advances (note 5) | 13,346,266 | 13,885,477 |
| | 18,639,451 | 18,733,866 |
| **PROPERTIES, PLANT AND EQUIPMENT:** | | |
| Producing, refining and marketing facilities, at cost | 223,774,584 | 209,477,796 |
| Less accumulated depreciation, depletion and amortization (note 1) | 85,981,405 | 77,123,542 |
| | 137,793,179 | 132,354,254 |
| **DEFERRED CHARGES:** | | |
| Unamortized debt discount and expense | 95,699 | 113,643 |
| Other | 1,375,027 | 1,157,391 |
| | 1,470,726 | 1,271,034 |
| **PREMIUM PAID ON ACQUISITION OF SUBSIDIARIES** | 6,484,994 | 6,540,685 |
| | $229,230,615 | $220,349,153 |

On behalf of the Board:
L. Wolters, Director
A. F. Campo, Director

## LIABILITIES AND CAPITAL

| | 1966 | 1965 |
|---|---|---|
| **CURRENT:** | | |
| Accounts payable and accrued charges | $ 16,356,330 | $ 16,414,070 |
| Due to affiliated companies | 3,813,539 | 8,918,010 |
| Due to parent company | 17,886,629 | 15,505,457 |
| Notes and bills payable | 8,529,473 | 3,194,790 |
| Current maturities of long-term debt | 2,535,217 | 5,020,985 |
| Total current liabilities | 49,121,188 | 49,053,312 |
| **ADVANCES BY PARENT COMPANY** (U.S. $5,000,000) not due within one year | 5,418,750 | 5,418,750 |
| **LONG-TERM DEBT** (note 2) | 39,838,017 | 34,377,618 |
| **MINORITY INTERESTS** | 500,946 | 500,946 |
| Total liabilities | 94,878,901 | 89,350,626 |
| **CAPITAL STOCK AND SURPLUS** (note 3): | | |
| Common shares of $10 par value: | | |
| Authorized — 12,000,000 shares | | |
| Issued — 9,898,424 shares | 98,984,240 | 98,984,240 |
| Contributed surplus | 15,474,517 | 15,474,517 |
| Earned surplus — per accompanying statement | 19,892,957 | 16,539,770 |
| | 134,351,714 | 130,998,527 |
| **COMMITMENTS AND CONTINGENCIES** (note 5) | | |
| | $229,230,615 | $220,349,153 |

## AUDITORS' REPORT

To the Shareholders of Canadian Petrofina Limited:

We have examined the consolidated balance sheet of Canadian Petrofina Limited and subsidiaries as at December 31, 1966 and the related consolidated statement of profit and loss and earned surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and consolidated statement of profit and loss and earned surplus present fairly the financial position of Canadian Petrofina Limited and subsidiaries as at December 31, 1966 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, Canada,
February 21, 1967.

Clarkson, Gordon & Co.
Chartered Accountants

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1966

### 1. ACCOUNTING POLICIES

The companies follow the full-cost method of accounting wherein all costs related to the exploration for and the development of oil and gas reserves are capitalized. The total costs thus capitalized are depleted on the composite unit of production method based on the estimated reserves of oil,gas and other saleable products. Charges for depletion amounted to $3,627,370 in 1966 ($3,431,037 in 1965) and the accumulated provision as at December 31, 1966 amounted to $33,009,686. Depreciation of plant and equipment is based on the estimated service lives of the assets, calculated on the straight-line method, except for vehicles where the diminishing balance method is used.

Inventories of oil products and other merchandise are shown at the lower of cost or market (net realizable value). Cost of oil products has been determined on the basis of the last-in, first-out method. Inventories of materials and supplies are shown at the lower of cost or replacement value.

### 2. LONG-TERM DEBT

| | | |
|---|---|---|
| Canadian Petrofina Limited: | | |
| Secured: | | |
| 6% loan due by 1972 | $ 850,000 | |
| Other | 238,776 | $ 1,088,776 |
| Unsecured: | | |
| 4% Sinking fund debentures, Series A, due 1972 | | |
| (issued $25,000,000 less converted or redeemed — $15,496,000) | 9,504,000 | |
| 5¾% loan due by 1972 | 5,000,000 | |
| 5½% loan due by 1968 | | |
| (U.S. $4,000,000, interest rate 7% commencing June 1, 1967) | 4,322,500 | 18,826,500 |
| | | 19,915,276 |
| Subsidiaries: | | |
| Secured: | | |
| 5¾% debentures due $1,000,000 annually and the balance in 1972 | 7,500,000 | |
| 6% loan due by 1975 | 1,378,911 | |
| 6% loans repayable $120,000 in 1967 and the balance by 1972 | 1,075,000 | |
| 6¾% First mortgage repayable in monthly instalments to 1981 | 2,000,032 | |
| 4½% Note repayable in annual instalments to 1978 | 164,283 | |
| 4½% Sinking fund bonds due 1974 | 250,000 | |
| 4% First mortgage due by 1968 | 450,000 | |
| Other | 35,279 | 12,853,505 |
| Unsecured: | | |
| 5¾% loan due in 1967 | 300,000 | |
| 6% loan due in 1967 | 350,000 | |
| 6% loan due by 1972 | 850,000 | |
| 6⅛% Guaranteed promissory notes due by 1981. | 8,104,453 | 9,604,453 |
| | | 22,457,958 |
| | | 42,373,234 |
| Less instalments included in current liabilities | | 2,535,217 |
| | | $39,838,017 |

During the year $12,000,000 U.S. was borrowed by way of 6⅛% guaranteed promissory notes of a subsidiary. Of this amount, $7,500,000 U.S. ($8,104,453 Can.) was drawn down by December 31, 1966, the balance being received on January 20, 1967. The loan principal is repayable in instalments of $850,000 U.S. on September 15 of each of the years 1968 to 1980 inclusive, and $950,000 U.S. on September 15, 1981.

Included in the covenants contained in the trust deeds or other agreements securing certain of the long-term debts are restrictions regarding the payment of dividends by the company. At December 31, 1966 approximately $13,539,000 of the consolidated earned surplus was subject to such restrictions.

## 3. CAPITAL STOCK

The Company has reserved 117,950 common shares for issuance under a stock option plan. As at December 31, 1966, options had been granted on 79,250 shares (including 25,500 shares optioned to directors and officers of the Company), particulars being as follows:

| Number of shares | Option price per share | Date exercisable | Number of shares | Option price per share | Date exercisable |
|---|---|---|---|---|---|
| 34,050 | $10.00 | To July 31, 1969 | 300 | $12.625 | To January 31, 1972 |
| 7,500 | 10.46 | To November 25, 1975 | 3,500 | 12.625 | To January 31, 1974 |
| 20,500 | 11.02 | To August 5, 1975 | 4,000 | 13.61 | To February 4, 1975 |
| 4,900 | 12.00 | To October 31, 1971 | 4,500 | 14.00 | To February 29, 1972 |

## 4. INCOME TAXES

Drilling and exploration expenditures, to the extent that they are allowable deductions for tax purposes, are claimed in the year in which they are incurred or as soon thereafter as possible.

For income tax purposes capital cost allowances are claimed in amounts which may vary from depreciation provided in the accounts. To December 31, 1966 the aggregate of capital cost allowances so claimed is less than depreciation provided.

The Company has reached agreement with the Federal tax authorities upon the basis of computation of taxable income, a matter which had been in dispute, and has been advised that revised notices of assessment will shortly be issued. On the agreed basis no additional income taxes become payable and the aggregate of capital cost allowances claimed will be less than depreciation provided in the accounts.

## 5. COMMITMENTS AND CONTINGENCIES

Annual rentals payable on long-term leases (three years and over) for real property amount to approximately $3,775,000.

Included in mortgages and other advances is an advance of $3,876,000 (1965 — $4,737,885) to an associated company which incurred losses in the course of developing its business. There is no reason to believe that these losses, to the extent that they have not already been recovered, will not be fully recovered out of future earnings. At December 31, 1966 the Company was contingently liable under guarantee of bank loans of this company to the extent of $850,000 (1965 — $925,000).

The Company has also guaranteed loans of other associated companies aggregating $3,340,000 at December 31, 1966.

## 6. DIRECTORS' REMUNERATION

Remuneration paid to directors of the Company during 1966 as directors and officers of the companies totalled $190,880.

# TEN-YEAR REVIEW OF OPERATIONS

| | 1966 | 1965 | 1964 | 1963 | 1962 | 1961 | 1960 | 1959 | 1958 | 1957 |
|---|---|---|---|---|---|---|---|---|---|---|
| **STATISTICAL** | | | | | | | | | | |
| Crude oil and natural gas liquids production (before royalty) for the year (thousands of barrels) | **5,104** | 4,614 | 4,578 | 4,393 | 4,306 | 3,306 | 2,934 | 2,666 | 2,403 | 3,253 |
| Natural gas sales (before royalty) for the year (millions of cubic feet) | **22,057** | 21,631 | 22,179 | 20,320 | 19,186 | 6,500 | 3,399 | 2,297 | 1,627 | 526 |
| Gross acreage (thousands of acres) | **6,200** | 5,800 | 5,600 | 5,400 | 5,800 | 6,180 | 5,300 | 5,040 | 4,945 | 5,445 |
| Crude oil run to refinery stills for the year (thousands of barrels) | **13,290** | 12,168 | 11,702 | 11,559 | 10,552 | 10,461 | 9,720 | 9,181 | 7,705 | 6,518 |
| Number of employees | **1,388** | 1,352 | 1,262 | 1,116 | 1,146 | 1,092 | 856 | 979 | 958 | 1,053 |
| **FINANCIAL** | (in Thousands of Dollars) | | | | | | | | | |
| Gross income for the year | **143,828** | 143,345 | 139,155 | 131,388 | 84,551 | 67,677 | 61,556 | 59,863 | 54,295 | 53,831 |
| Net profit | **9,292** | 8,549 | 7,076 | 6,973 | 6,706 | 5,517 | 1,031 | 1,376 | 665 | 1,998 |
| Minority interest in net income | **23** | 23 | 23 | 23 | 23 | 23 | 65 | 79 | 66 | 108 |
| Depreciation, depletion and amortization (including amortization of excess cost) | **9,442** | 8,870 | 8,950 | 8,191 | 8,490 | 7,116 | 6,518 | 6,239 | 5,728 | 5,524 |
| Amortization of patents and other costs | **163** | 108 | 108 | 106 | 108 | 106 | 97 | 96 | 92 | 59 |
| Total cash generated | **18,920** | 17,550 | 16,157 | 16,399 | 16,519 | 14,069 | 8,740 | 8,466 | 7,271 | 8,209 |
| Working capital | **15,721** | 12,396 | 10,370 | 10,153 | 12,993 | 11,251 | 11,262 | 11,551 | 8,378 | 8,649 |
| Total assets | **229,231** | 220,349 | 203,808 | 201,761 | 185,818 | 182,938 | 174,124 | 150,848 | 158,148 | 153,770 |
| Long-term debt | **39,838** | 34,378 | 31,935 | 27,910 | 27,808 | 30,699 | 30,352 | 24,579 | 25,662 | 26,536 |
| Book value of shareholders' equity | **134,352** | 130,999 | 127,737 | 126,266 | 125,038 | 122,981 | 117,399 | 103,047 | 101,442 | 100,049 |

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